

*As approved by the SBAM Board of Directors on January 27, 2005*

**SBAM Principles for Michigan Business Tax Reform**

1. Any potential tax reform proposals should consider the overall tax burden and how the interaction of federal, and local taxes affects Michigan businesses.
2. Any potential tax reform must encourage growth of the small business economy.
3. Taxes should be imposed on an individual or business entity only once.
4. SBAM opposes expanding the state sales tax to include services until such time as our nation replaces the federal income tax with a national sales tax.
5. Business to business transactions should be exempt from taxation.
6. The tax system must avoid imposing an undue tax burden on growing small businesses and not unduly hinder their ability to create jobs and economic prosperity.
7. An appropriate, phased-in threshold should be established before a business is taxed or a credit is allowed or disallowed. The state should avoid tax "cliffs" that encourage businesses to intentionally suppress profits or business activity in order to escape an increased tax obligation.
8. Any replacement or reform of Michigan business taxes should be deferred until government spending is reduced and fiscal solvency established.
9. Michigan's overall tax burden should be less than the tax burden in the states with which we compete. To that end, the state of Michigan should commission a comparative benchmarking analysis of various state tax systems.

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10. The appropriate basis for taxation is profits. Taxation based on business profits rather than business activity will have greater revenue fluctuations from year to year. Recognizing the need for the State to stabilize available revenue, a solid financial formula should be established for diverting surplus money into the Michigan Budget Stabilization Fund during economic expansions to provide for appropriate withdrawals during economic downturns. To insure the long-term solvency of the Michigan Budget Stabilization Fund, the State of Michigan should establish a constitutional amendment or supermajority (2/3) vote to provide greater protection from unwarranted raids by the legislature.
11. Repeal of the SBT should occur in 2009 or before. Until that time the statutory schedule for reducing the SBT rate should be unfrozen and allowed to continue.
12. The business taxation system should be predictable to allow for advance planning of tax expenses.